



July 30, 2010  
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Arnold Schwarzenegger  
Governor

Mr. Blake Konczal, Executive Director  
Fresno Regional Workforce Investment Board  
2125 Kern Street, Suite 208  
Fresno, CA 93721

Dear Mr. Konczal:

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)  
SUMMER YOUTH PROGRAM  
FINAL MONITORING REPORT  
PROGRAM YEAR 2009

This is to inform you of the results of our review for Program Year (PY) 2009 monitoring review of the Fresno Regional Workforce Investment Board's (FRWIB) ARRA Summer Youth Program (SYP). This review was conducted by Mr. David Jansson from August 24, 2009 through August 28, 2009. Our review consisted of interviews with your staff and a review of the following items: expenditures charged to the ARRA SYP, oversight of your subrecipients, and procurement transactions. In addition, we interviewed service provider staff, SYP participants, and worksite supervisors, and focused on the following areas of your ARRA SYP: eligibility determination, program operations, participant worksites, participant payroll processing, and oversight.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by FRWIB with applicable federal and state laws, regulations, policies, and directives related to the ARRA grant.

This report includes the results of our review of sampled case files, participant interviews, FRWIB's response to Sections I and II of the ARRA SYP On-Site Monitoring Guide, and a review of applicable policies and procedures for PY 2009.

We received your response to our draft report on November 17, 2009, obtained documentation subsequent to the draft report, and reviewed your comments before finalizing this report. Because your response did not adequately address finding 1, we request that FRWIB provide Compliance Review Office (CRO) with a Corrective Action Plan (CAP). We consider this finding unresolved and have assigned it Corrective Action Tracking System (CATS) number 10034.

Because your response adequately addressed finding 2 cited in the draft report, we consider this finding resolved.

## **BACKGROUND**

The FRWIB allocated all of its \$7,836,652 ARRA Youth allotment to serve 1,600 SYP participants. As of the week of September 30, 2009, FRWIB expended \$4,157,137 to serve 2,798 SYP participants.

## **ARRA SYP REVIEW RESULTS**

While we conclude that, overall, FRWIB is meeting applicable ARRA requirements, we noted instances of noncompliance in the areas of nepotism and payroll reconciliation. The findings that we identified in these areas, our recommendations, and the FRWIB proposed resolution of the findings are specified below.

### **FINDING 1**

**Requirement:** 20 Code of Federal Regulations (CFR) Section 667.200(g)(1) states, in part, that no individual may be placed in a WIA employment activity if a member of that person's immediate family is directly supervised by or directly supervises that individual. Furthermore, Section 667.200(g)(2) states that to the extent that an applicable State or local legal requirement regarding nepotism is more restrictive than this provision, such State or local requirement must be followed.

FRWIB Information Bulletin No. 09-09 states in its Worksite Agreement terms in section 18 the prohibition of a participant from being supervised by a relative (blood or legal) of that participant's family.

**Observation:** We observed in one instance a fourteen year-old participant was working for, being supervised by, evaluated on job performance by, and whose time sheets were approved by, her mother.

Subsequent to this review, on August 31, 2009, FRWIB provided a copy of an Incident Report that was filed with the Department of Labor's Inspector General regarding this incident. The FRWIB has also started an investigation by referring the incident to the Fresno County District Attorney's Office.

**Recommendation:** We recommended that FRWIB provide CRO a CAP outlining how they will prevent nepotism in the future in any ARRA funded service or program. Additionally, we recommended that FRWIB

provide CRO documentation of steps taken to correct the noted incident.

**FRWIB Response:** The FRWIB stated that their staff has completed its investigation of the incident. They have filed a final report with both the Employment Development Department's (EDD) CRO and the Department of Labor (DOL) Office of the Inspector General (OIG). The FRWIB has also issued a final determination letter to the subrecipient involved, the Fresno County Economic Opportunities Commission (FCEOC). As a result of FRWIB's investigation, it was found that the work experience funds paid to the participant were disallowed costs, of which the FCEOC has reimbursed FRWIB from non-federal funds (\$960). The FRWIB stated they had reprogrammed those funds for local use, in line with the American Recovery and Reinvestment Act (ARRA) Youth Program guidelines.

The FRWIB's response to the draft report included documentation of the steps taken to correct the noted incident. Included in their response were copies of: FRWIB's Incident Report, FRWIB's Final Determination Letter to FCEOC and DOL OIG, the FCEOC's response letter, the FCEOC's Check Detail Report noting the total amount due to FRWIB for the disallowed cost, a copy of FCEOC's check to FRWIB, and FRWIB's journal entry trace report noting the amount and date of deposit to grant code 103 (ARRA Youth).

**State Conclusion:** Based on FRWIB's response, we cannot resolve this issue at this time. The FRWIB did not provide a CAP on how they will prevent nepotism in the future. Therefore, until FRWIB provides CRO a CAP that describes the prevention of nepotism in the future, this issue remains open and has been assigned CATS number 10034.

## **FINDING 2**

**Requirement:** OMB Circular A-87, Attachment B(8)(h)(5) states, in part, that personnel activity reports or equivalent documentation must reflect an after-the-fact distribution of the actual activity of each employee, they must be prepared at least monthly and must coincide with one or more pay periods, and they must be signed by the employee.

29 CFR 97.20(b)(2) states, in part, that subgrantees must maintain records which adequately identify the source and application of funds for financially-assisted activities. Section (b)(6) requires that accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records.

California Code of Regulations (CCR), Title 8, Section 11040, Article 4, Subsection 7(A) states that every employer shall keep accurate information with respect to each employee including the following:

1. Full name, home address, occupation and social security number.
2. Birth date, if under 18 years, and designation as a minor.
3. Time records showing when the employee begins and ends each work period. Meal periods, split shift intervals and total daily hours worked shall also be recorded. Meal periods during which operations cease and authorized rest periods need not be recorded.
4. Total wages paid each payroll period, including value of board, lodging, or other compensation actually furnished to the employee.
5. Total hours worked in the payroll period and applicable rates of pay. This information shall be made readily available to the employee upon reasonable request.

**Observation:** We observed that SYP payroll records at the FRWIB's service provider, the FCEOC, did not reconcile with the copies of timesheets contained in two participant case files. Specifically, we observed in 2 out of 10 case files reviewed that two participants were not paid for all time reported on the timesheet:

1. One participant was underpaid one-half hour for the July 19 – August 1, 2009 pay period.
2. One participant was underpaid one hour for the July 19 – August 1, 2009 pay period.

During the exit conference, FRWIB staff stated they would conduct an audit of all ARRA SYP participant payroll payments who worked for the FCEOC.

**Recommendation:** We recommended the FRWIB provide documentation to CRO to substantiate that the participants were paid for all time worked. In

addition, we recommended that FRWIB provide CRO a CAP with a timeline to conduct a review of wages paid to other SYP participants by the service provider FCEOC to ensure that all were appropriately compensated.

**FRWIB Response:** The FRWIB provided CRO documentation of FCEOC's payroll audit results, which included documentation supporting the payment of the first participant's 1 hour underpayment, and a written statement (letter dated October 9, 2009) stating the second participant was in fact paid correctly due to an unapproved, extended lunch break.

FRWIB also provided FCEOC's letter outlining FCEOC's review of all SYEP payroll records and participant time sheets. Their review was conducted in 2 phases.

Phase 1 included the review of the 941 SYP participant's time sheets and payroll records. Phase 1 identified 253 participant's files for further review.

In phase 2, the FCEOC's Internal Auditors identified 52 participants out of the 253 for further review. Based on phase 2 sampling, the Internal Auditors noted that 29 participants (or 3 percent) out of the total 941 were calculated incorrectly resulting in additional payments due to participants. FCEOC noted that all checks were mailed no later than December 24, 2009.

FRWIB also noted future changes in procedures that include a final revision of all timesheets by the Program Quality Assurance Manager prior to submission to the payroll office. In addition to another level of review prior to making payroll payments, FCEOC will be reviewing bi-weekly reports to assess additional training needs and/or staff re-assignment if required.

**State Conclusion:** We consider this issue resolved.

Due to the short period of time the 2009 SYP was in operation the above corrective actions were requested in the exit conference in order that corrective action could be taken immediately. Thank you for the timely action taken on specific issues identified above. We are providing you up to 10 working days after receipt of this report to submit to the Compliance Review Office your response to this report. Because we faxed a

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copy of this report to your office on the date indicated above, we request your response no later than August 13, 2010. Please submit your response to the following address:

Compliance Monitoring Section  
Compliance Review Office  
722 Capitol Mall, MIC 22M  
P.O. Box 826880  
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all the areas included in our review. It is FRWIB's responsibility to ensure that its systems, programs, and related activities comply with the ARRA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain FRWIB's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Mechelle Hayes at (916) 654-1292.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jessie Mar".

JESSIE MAR, Chief  
Compliance Monitoring Section  
Compliance Review Office

cc: Greg Gibson, MIC 50  
Jose Luis Marquez, MIC 50  
Daniel Patterson, MIC 45  
Roger Schmitt, MIC 50